



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

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State Controller

CYNTHIA BRIDGES
Executive Director

March 4, 2015

VIA INTERNET

Dear Interested Party:

The Audit Manual (AM) is a guide for the Board of Equalization (BOE) staff in administering tax and fee programs. It is available to the public and can be accessed from the BOE web page at <http://www.boe.ca.gov/sutax/staxmanuals.htm>.

The Sales and Use Tax Department (SUTD) is proposing to revise AM Chapter 4, *General Audit Procedures*. The revision adds section 0423.00, *Audit of Franchisors or Large Retailers*, to the AM to incorporate current audit policies and management guidelines. The revision material is provided on the following pages for the convenience of interested parties who may wish to submit comments or suggestions. Please feel free to publish this information on your website or otherwise distribute it to your association/members.

If you have any comments or suggestions related to the proposed AM revisions, you may contact the BOE at AM.RevisionSuggestions@boe.ca.gov. Your comments or suggestions must be received by BOE no later than **May 6, 2015** in order to be considered by staff. Thank you for your consideration.

Sincerely,

Susanne Buehler, Chief
Tax Policy Division
Sales and Use Tax Department

AUDIT OF FRANCHISORS OR LARGE RETAILERS

0423.00

THIRD-PARTY DATA REQUESTS TO FRANCHISORS AND LARGE RETAILERS

0423.10

The Data Analysis Section (DAS) coordinates, solicits and maintains a database of third-party data for use in audit selection, to create leads for audit and compliance programs, and to provide purchase/sales information to auditors on accounts being audited. Third-party data is solicited from various resources such as auction houses, big box retailers, and franchisors.

Third-party data resources may be identified during audit selection and while auditing a franchisee, franchisor or large retailer. To enhance the third-party database and streamline requests, DAS will coordinate requests for franchisor or large retailer data with the district office in which the franchisor/large retailer is located or with the office auditing a franchisor/large retailer. District staff will request the third-party data (i.e., either sales reported to the franchisor by their California franchisee, or all sales made by the large retailer to their resale customers) using the BOE-116 forms as described below.

The following two forms are available on eBoe to request third-party data from franchisors or large retailers. District staff should use these forms when requesting third-party data directly from franchisors or large retailers that are identified by the Sales and Use Tax Department (SUTD) or the DAS.

- BOE-116-A, Franchisor/Vendor Sales Transaction Data-1st Request, and
- BOE-116-B, Franchisor/Vendor Sales Transaction Data-2nd Request,

PROCEDURE

0423.15

When staff begins an audit suited for a third-party data request, the BOE-116-A must be used for the request. This form allows users to fill in or choose relevant information and may be addressed to either franchisors or large retailers. The BOE-116-A is signed by the District Principal Auditor (DPA) and instructs the franchisor/large retailer to send the data directly to DAS. DAS is copied on the BOE-116-A. Third-party data should be requested for the same period(s) as the franchisor or large retailer is being audited.

Once the initial request for the third-party data to the franchisor or large retailer is made using the BOE-116-A, DAS will monitor the request. If necessary, the DPA will send a follow-up second request using the BOE-116-B. DAS maintains a central list of all data requested through the use of these forms. If a franchisor/large retailer does not comply with the request to supply records, the DPA of the district conducting the audit will pursue a subpoena for records as outlined in AM Chapter 4, Exhibit 3.

Upon receipt of the third-party data from the franchisor or large retailer, DAS will notify the district office and process, cleanse, data match, and validate the data to BOE IRIS registration for seller's permit identification and verification. Any leads (i.e.,

noncompliance leads and under-reported leads) that result from processing this third-party data will be sent to the appropriate district.

In order to avoid sending franchisors or large retailers multiple requests for the same data, staff is instructed to contact DAS for third-party data availability when auditing a franchisee and certain large retail accounts. For franchisor accounts not already available in DAS, staff should use their judgment and discuss with their supervisors if they believe a third-party data request is appropriate. All questions regarding third-party data should be emailed to *SUTD-Data Request Mailbox*.